



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0475	Title:	Revise statutory reimbursement schedule for school transportation funding
Primary Sponsor:	Brodehl, Randy	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>

Description of fiscal impact: HB 475 revises the funding formula for reimbursing school districts for pupil transportation from the state and counties. At the current price of \$3 per gallon for diesel fuel, the state could save between \$2.0 and \$5.0 million general fund annually in state reimbursements for pupil transportation.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction (OPI)

1. Current law calculates state and county pupil transportation reimbursements based on miles a yellow school bus travels and rated capacity of the school bus.
2. Current law requires that bus routes and individual transportation contracts must be approved by a county transportation committee. HB 475 eliminates this requirement.
3. HB 475 changes the state and county transportation reimbursement funding formula to be based on a school district's current year ANB and the statewide average price of regular diesel fuel per gallon.
4. The average price of one gallon of regular diesel fuel is to be determined by using the statewide average price as reported by the American automobile association on three dates approximately one month prior to the payment dates. The dates, as stated in HB 475 are: August 1 for the September 1 transportation

payment, March 1 for the March 31 transportation payment, and June 1 for the June 30 transportation payment.

5. On February 13, 2015, the average price of a gallon of regular diesel fuel for the past month was \$2.987 per gallon, as reported by the American Automobile Association;.
6. The Montana average price per one gallon of regular diesel fuel is applied to a calculation that provides an entitlement per current year ANB on a scale that incorporates both the fuel cost and the number of ANB at the district. This scale is illustrated in the following table:

ANB Count	Cost of Diesel Fuel/Gallon			
	\$0-\$1.99	\$2.01-\$3.00	\$3.01-\$4.00	\$4.01 and >
0-100	\$86	\$143	\$200	\$257
101-1000	\$73	\$121	\$170	\$219
1001-3000	\$64	\$107	\$150	\$193
3001 and >	\$60	\$100	\$140	\$180

7. The distribution of transportation payment are as follows:
 - By September 1 50% of the amount calculated as the state transportation reimbursement.
 - By March 31 25% of the amount calculated as the state transportation reimbursement.
 - By June 1 25% of the amount calculated as the state transportation reimbursement.
8. The average number belonging (ANB) used to determine the general fund budgets for K-12 public schools will be as follows. These estimates are for current year ANB.

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
K – 6 ANB	82,917	83,643	84,131	84,689	84,954
7 – 8 ANB	22,167	22,239	22,452	22,695	23,276
9 – 12 ANB	<u>43,189</u>	<u>43,253</u>	<u>43,390</u>	<u>43,582</u>	<u>44,164</u>
	148,273	149,135	149,973	150,966	152,394

9. The following tables estimate the payments for years FY 2017 through FY 2019. In any given year, there is the potential spread of \$10 million for the state distribution based on fuel price differences.

The following table reflects the estimated FY 2017 budgeted amounts for transportation:

FY 2017 Payment Amt.	Cost of Diesel Fuel			
	\$0-\$1.99	\$2.01-\$3.00	\$3.01-\$4.00	\$4.01 and >
September	\$2,496,578	\$4,153,463	\$5,824,376	\$7,495,289
March	\$1,248,289	\$2,076,732	\$2,912,188	\$3,747,644
June	\$1,248,289	\$2,076,732	\$2,912,188	\$3,747,644
Annual State	\$4,993,155	\$8,306,927	\$11,648,752	\$14,990,578

The following table reflects the estimated FY 2018 budgeted amounts for transportation:

FY 2018 Payment Amt.	Cost of Diesel Fuel			
	\$0-\$1.99	\$2.01-\$3.00	\$3.01-\$4.00	\$4.01 and >
September	\$2,498,997	\$4,157,489	\$5,830,021	\$7,502,553
March	\$1,249,499	\$2,078,744	\$2,915,010	\$3,751,277
June	\$1,249,499	\$2,078,744	\$2,915,010	\$3,751,277
Annual State	\$4,997,994	\$8,314,977	\$11,660,042	\$15,005,106

The following table reflects the estimated FY 2019 budgeted amounts for transportation:

FY 2019	Cost of Diesel Fuel			
Payment Amt.	\$0-\$1.99	\$2.01-\$3.00	\$3.01-\$4.00	\$4.01 and >
September	\$2,514,872	\$4,183,881	\$5,867,073	\$7,550,265
March	\$1,257,436	\$2,091,940	\$2,933,536	\$3,775,133
June	\$1,257,436	\$2,091,940	\$2,933,536	\$3,775,133
Annual State	\$5,029,745	\$8,367,761	\$11,734,146	\$15,100,530

10. The following table reflects the current year FY 2015 budgeted amounts for transportation the school district transportations payments.

FY 2015 Actual Transportation

Budgets – Statewide	Amount	Budget %
State Transportation Payment	\$13,610,470	14.62%
County Transportation Payment	\$13,523,997	14.53%
Property Tax	\$51,357,398	55.18%
Fund Balance Reappropriated & Non Levy Revenue	<u>\$14,580,525</u>	<u>15.67%</u>
Total K-12 Transportation Budgets	\$93,072,390	100.00%

11. At the current price of approximately \$3 per gallon for diesel fuel, the state would save between \$2.0 and \$5.0 million per year on general fund pupil transportation costs.

<u>Fiscal Impact:</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Expenditures:</u>				
Local Assistance	\$0	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)
TOTAL Expenditures	<u>\$0</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)
TOTAL Funding of Exp.	<u>\$0</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$2,000,000	\$2,000,000	\$2,000,000

Effect on County or Other Local Revenues or Expenditures:

Office of Public Instruction (OPI)

- Changes in fuel prices would have an almost immediate effect on costs for the district as well as state and county payments. The effects of HB 475 on school districts calculating and budgeting for pupil transportation would be difficult to predict with any accuracy. Districts budget in August, and would not know the correct fuel prices to use for estimating budgets, thus the state and county reimbursements could

fluxuate significantly throughout the year so that the estimated tax levy needed to offset the non-reimbursed costs may not be accurate to cover all the costs.

2. State and county reimbursements for pupil transportation currently cover about 29% of the total pupil transportation budgets of \$93 million. HB 475 would reduce that to about 25% of the total statewide pupil transportation costs. Local taxpayers would have to pay the increased costs of \$2.0 to \$5.0 million per year.
3. Because of the variable reimbursement rates, a district will be challenged to accurately estimate transportation reimbursements for transportation budgets. Given the volatility of fuel prices and the potential for revenue shortfalls, a district would be likely to adopt a higher budget to account for contingencies such as increasing fuel costs and unanticipated enrollment increases. This conservative approach would place a larger burden on the local taxpayers.

Montana Association of Counties (MACO)

4. Some school districts enter into contracts with private companies for pupil transportation for periods of up to five years. It would be anticipated that such contracts directly or indirectly include provision that the rate paid under the contract is tied to mileage the bus travels. HB 475 funding formula no longer would tie to bus miles and contracts would be hard to determine.

Technical Notes:

Office of Public Instruction (OPI)

1. Section 3 does not determine a payment if the price of fuel is exactly \$2.00 per gallon.
2. There appears to be drafting error in section 6 in the calculation of the transportation fund levy requirement. Section 6 amends 20-10-144 (1), MCA, to state that the budget will be calculated off of the total payments made under 20-10-145, MCA, in the previous fiscal year. The payments made under 20-10-145, MCA, are only the state reimbursement and do not include the county reimbursement. The appropriate reference in subsection (1) would be to 20-10-141, MCA.
3. It will be difficult for the state to accurately determine an appropriation related to transportation reimbursements given the potential changes in fuel prices.
4. Sections 20-9-166 and 20-9-165, MCA, need to be amended to remove references to increased transportation payments from the state.
5. Under the HB 475 payment schedule, counties will be required to make a September payment. For many counties, money will not be available until property taxes are received in November.

Montana Association of Counties (MACO)

6. Section 7, amending 20-10-145, MCA, removes the reference to 20-10-142, MCA. Section 20-10-145, MCA, determines the reimbursement rate to school districts but also determines the reimbursement rate for individual transportation contracts. Section 4, amending 20-10-142, MCA, strikes the reference to 20-10-145, MCA. That means that a parent transporting children under an individual transportation contract would be reimbursed at the rate determined under 20-10-141, MCA, which is currently mileage based. With the removal of the per mile rate in 20-10-141, MCA, it would appear that a parent would be reimbursed at a flat rate, which is variable during the year based on the average price of diesel. That flat amount would be the same for any distances traveled whether it is 5 miles and 50 miles.

Sponsor's Initials

Date

Budget Director's Initials

Date